

Summary Outlook for FY 2009 AgExports

Global Grain Market: Increased Competition

Global Recession: Weaker Demand, Lower Prices, Stronger Dollar

1) Increased Competition in Global Grain Markets

- ❑ Large foreign exportable wheat supply, the result of record exports from Russia & Ukraine, Europe's crop recovery and a larger Australian crop, and reduced grain demand (especially EU demand) force sharp decrease in prices and lower US wheat & coarse grain shipments

2) Global Financial & Economic Crisis

- ❑ US financial crisis spreads to Europe/Russia (less impact elsewhere); credit mkts prove difficult to unfreeze; deleveraging financial institutions & households takes time
- ❑ World GDP contracts 1-2% in 2009 (2005-07 = +3.8%): recession in US, EU, Japan, & slower growth for all regions; emerging mkts slow from +7.3% (3-yr avg) to about +2.0%
- ❑ Emerging mkts threatened as trade slows, commodity prices fall & currencies adjust
- ❑ But, fiscal policies can cushion downturn & many countries have large reserves

FY 2008 to FY 2009: All Categories Decline Except Horticulture

- ❑ grain & feed (-) \$12.2 billion to \$26.1 billion – vol declines account for two-thirds
- ❑ oilseeds (-) \$4.5 billion to \$18.4 billion – soybeans vol mostly steady, lower prices
- ❑ cotton (-) \$1.2 billion to \$3.6 billion – two-thirds due to vol decline, the rest is price
- ❑ animal products (-) \$3.2 bil to \$19 billion – dairy (-) \$1.3 billion, pork (-) \$520 million, broilers (-) \$550 million, fats & oils (-) \$440 million, hides & skins (-) \$280 million
- ❑ hort. products (+) \$700 million to record \$21.5 billion, but slowest growth in 7 years